Middle East and North Africa
Regional Economic Outlook

May 2013
Timid global recovery in 2012 but major risks diffused

Source: IMF, World Economic Outlook, April 2013.
Three-speed global economy in 2013

Real GDP growth, 2013
(Percent change, year over year)

Emerging and developing economies
- China: 8.0%
- MENAP: 3.1%
- United States: 1.9%
- Euro area: -0.3%

Source: IMF, World Economic Outlook, April 2013.
Commodity prices have eased but remain elevated

Global commodity price developments\(^1\)

*(Index; 2005 = 100)*

Brent crude oil price prospects\(^2\)

*(U.S. dollars per barrel)*

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Sources: IMF, Primary Commodity Price System; and IMF staff calculations.

1. Food index derived from average price of corn, wheat, rice, and soybeans.
EM portfolio flows and AM equities have risen in search of yields

**Net portfolio capital flows to emerging markets**
(Percent of GDP)

- **2011**
- **2012**
- **2013 (proj.)**

**Advanced economy equity markets**
(Index; Jan 1, 2011=100)

- Japan
- Germany
- United Kingdom
- United States

Sources: IMF, World Economic Outlook; and Bloomberg LP.

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**Global Outlook**
Risks to euro area growth remain high.

**Probability of recession, 2013**

*(Percent)*

- **Current**
- **October 2012 WEO**

 Sources: IMF, World Economic Outlook; and Bloomberg LP.
Slower European growth\(^1\) would impact Maghreb

Cumulative GDP loss, 2013 and 2014
(Percent)

Euro area

GCC

Maghreb

Mashreq

Source: IMF, World Economic Outlook (April 2013); and IMF staff calculations.
\(^1\) Euro area weak policies scenario described in April 2013 World Economic Outlook.
Converging MENAP growth rates mask varying economic prospects

<table>
<thead>
<tr>
<th>Year</th>
<th>MENAP</th>
<th>MENAP oil exporters</th>
<th>MENAP oil importers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>4.7</td>
<td>5.7</td>
<td>2.7</td>
</tr>
<tr>
<td>2013</td>
<td>3.1</td>
<td>3.2</td>
<td>3.0</td>
</tr>
<tr>
<td>2014</td>
<td>3.7</td>
<td>3.7</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Sources: National authorities; and IMF staff calculations.
Recent developments and near-term outlook

MENAP oil exporters

- Algeria
- Kuwait
- Iran
- Iraq
- Libya
- Qatar
- Saudi Arabia
- Bahrain
- United Arab Emirates
- Oman
- Yemen
Positive outlook, but vulnerabilities remain

Near-term Positive Outlook
- High oil price
- Oil production rebalanced
- Non-oil GDP growth robust

However
- Increasingly vulnerable to oil revenue shocks
- Projected to start drawing on savings soon
- Oil dependent growth
- Low private sector employment of nationals

Therefore
- Contain current spending
- Ensure capital spending is productive
- Implement reforms to increase economic diversification
- Invest in human capital

MENAP oil exporters
Non-oil GDP robust and oil GDP pauses…

Oil and non-oil real GDP growth

(Percent)

Sources: National authorities; and IMF staff calculations.
… but big variations in growth…

Real GDP growth with oil and non-oil contributions, 2013
(Percent)

Sources: National authorities; and IMF staff calculations.
... and hydrocarbon exports ...

Change in hydrocarbon\(^1\) exports between 2012 and 2013

(Thousands of barrels per day equivalent)

Sources: National authorities; and IMF staff calculations.

\(^1\) Crude, gas, condensates, and refined products.
Inflation muted in GCC and falling elsewhere

**Consumer price index**
(Period average, annual percent change)

Sources: National authorities; and IMF staff calculations.
Vulnerability to oil revenue shocks is rising...

Breakeven oil prices
(U.S. dollars per barrel)

1WEO oil price, 2013, baseline scenario
2WEO oil price, 2013, EM downside scenario
3WEO oil price, 2015, options markets

Current account breakeven price, 2013

2Capital outflows and weak private investment in emerging markets.
3One standard deviation down from baseline implied by options, June 1, 2015.
... and deficits are around the corner

**GCC external balances**

(Percent of GDP)

- Oil exports
- Imports of goods and services
- Current account balance

**Fiscal balances**

(Percent of GDP)

- MENAP oil exporters
- GCC
- Non-GCC

Sources: National authorities; and IMF staff calculations.
Recent developments and near-term outlook

MENAP oil importers

- Morocco
- Tunisia
- Lebanon
- Syria
- Jordan
- Caribbean
- Mauritania
- Egypt
- Sudan
- Djibouti
- Afghanistan
- Pakistan
Moderate recovery in a difficult environment

- Complex political transitions
- Mounting social pressures
- Low euro area growth

Weakened private confidence

Moderate recovery
Moderate growth…

Real GDP growth
(Percent)

Sources: National authorities; and IMF staff calculations.
...is weighed down by complex political transitions and upcoming elections...

<table>
<thead>
<tr>
<th>Month</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov 11</td>
<td>Morocco (Parliament)</td>
</tr>
<tr>
<td>May 12</td>
<td>Syria (Parliament)</td>
</tr>
<tr>
<td>Jun 12</td>
<td>Egypt (President)</td>
</tr>
<tr>
<td>Jan 13</td>
<td>Jordan (Parliament)</td>
</tr>
<tr>
<td>Feb 13</td>
<td>Djibouti (Parliament)</td>
</tr>
<tr>
<td>Apr 13</td>
<td>Egypt (Parliament, delayed)</td>
</tr>
<tr>
<td>May 13</td>
<td>Pakistan (Parliament)</td>
</tr>
<tr>
<td>Jun 13</td>
<td>Lebanon (Parliament)</td>
</tr>
<tr>
<td>Oct 13</td>
<td>Mauritania (Parliament)</td>
</tr>
<tr>
<td>Dec 13</td>
<td>Tunisia (Parliament and President)</td>
</tr>
<tr>
<td>Apr 14</td>
<td>Afghanistan (President)</td>
</tr>
</tbody>
</table>

**MENAP oil importers**
...mounting social pressures...

**Unemployment rate**
(Percent)

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>TUN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EGY</td>
<td></td>
<td></td>
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<tr>
<td>JOR</td>
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<td>SDN</td>
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<tr>
<td>PAK</td>
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</tbody>
</table>

**Unemployment rates by region**
(Latest available date, percent)

- **Central and South Eastern Europe and CIS**: 16, 14
- **Developed economies and EU**: 12, 10
- **Latin America and the Caribbean**: 18, 16
- **Sub-Saharan Africa**: 20, 18
- **World**: 14, 12
- **East Asia**: 10, 8
- **South-East Asia and Pacific**: 15, 13
- **MENAP oil importers**: 20, 18

Sources: International Labor Organization; national authorities; and IMF staff calculations.

¹Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen.
...and weakened confidence and low euro area growth

MENAP oil importers: Confidence indicators
(Index; Dec 2009 = 100, seasonally adjusted)

Sources: Haver Analytics; UN, World Tourism Barometer; and national authorities.

1 Average number of tourist arrivals for Egypt, Jordan, Lebanon, Morocco, and Tunisia.
2 Average of consumer confidence indices for Egypt, Jordan, Morocco, and Tunisia.
Major spillovers from the conflict in Syria

Estimate of refugee flows from Syria

Total outside Syria: 1.4 million

Internally displaced: about 4 million

Turkey: 325K
Lebanon: 456K
Jordan: 448K
Iraq: 142K
Egypt: 62K


1As of 6 May 2013. Figures reflect the number of refugees registered or awaiting registration.
Meanwhile, high fiscal deficits, rising debt, and diminished reserves imply difficult policy decisions.

**Fiscal balance**
(Percent of GDP)

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRT</td>
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<td>AFG</td>
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<tr>
<td>DJI</td>
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<td>TUN</td>
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<td>SUD</td>
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<td>MAR</td>
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<td>PAK</td>
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<tr>
<td>JOR</td>
<td></td>
<td></td>
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<tr>
<td>LBN</td>
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<tr>
<td>EGY</td>
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</tr>
</tbody>
</table>

**Gross international reserves**
(Months of imports)

<table>
<thead>
<tr>
<th>Country</th>
<th>Dec-2010</th>
<th>Mar-2013 (or latest available)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LBN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JOR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EGY</td>
<td></td>
<td></td>
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<tr>
<td>MAR</td>
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<td>AFG</td>
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<td>TUN</td>
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<td>PAK</td>
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<td>SDN</td>
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</tr>
<tr>
<td>DJI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MRT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: National authorities; and IMF staff calculations.
Recommendations: Subsidy reform will create fiscal space for better targeted social assistance and…

Energy subsidies, 2011
(Percent of GDP)

Sources: National authorities; and IMF staff calculations.

Total energy subsidies, 2011
(Billions of U.S. dollars)

MENAP oil exporters
$194.7

MENAP oil importers
$19.6

CEE-CIS
$72.1

E.D. Asia
$102.3

LAC
$36.2

Adv. economies
$13.6

SSA
$19.6

Energy subsidies, 2011
(Percent of GDP)
...shifting the focus of public expenditure away from subsidies towards education...

Energy subsidies\(^1\) and spending on education, 2011

\(\text{(Percent of GDP)}\)

- **Spending on education**
- **Energy subsidies**

Sources: Staff estimates and national authorities, OECD, IEA, Deutsche Gesellschaft für Internationale Zusammenarbeit, WEO, and World Bank.

\(^1\)Includes petroleum, electricity, natural gas and coal subsidies.
...and capital expenditures...

Public capital expenditure
(Percent of GDP)

Sources: National authorities; and IMF staff calculations.
Recommendations: Rebuild reserves

Current account balance
(Percent of GDP)

![Graph showing current account balance for various countries in MENAP oil importers]

Sources: National authorities; and IMF staff calculations.
IMF support will also help

<table>
<thead>
<tr>
<th>Facility</th>
<th>Afghanistan</th>
<th>Djibouti</th>
<th>Jordan</th>
<th>Mauritania</th>
<th>Morocco</th>
<th>Tunisia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duration</td>
<td>36 months</td>
<td>45 months</td>
<td>36 months</td>
<td>36 months</td>
<td>24 months</td>
<td>24 months</td>
</tr>
<tr>
<td>Access (SDR million)</td>
<td>85</td>
<td>22</td>
<td>1,364</td>
<td>77</td>
<td>4,117</td>
<td>1,140</td>
</tr>
<tr>
<td>(percent of quota)</td>
<td>53</td>
<td>140</td>
<td>800</td>
<td>120</td>
<td>700</td>
<td>400</td>
</tr>
<tr>
<td>Precautionary/disbursing</td>
<td>Disbursing</td>
<td>Disbursing</td>
<td>Disbursing</td>
<td>Disbursing</td>
<td>Precautionary</td>
<td>Disbursing</td>
</tr>
<tr>
<td>Disbursed to date (percent of total)</td>
<td>28%</td>
<td>100%</td>
<td>38%</td>
<td>86%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: IMF staff estimates.
Medium-term challenges: Structural reforms in MENAP

- Financial sector soundness
- Better safety nets
- Labor market/education
- Trade integration
- Access to finance
- Business climate/governance

Socially inclusive growth and jobs
Takeaways

- **Oil exporters:**
  - Overall GDP growth slower because of flat oil output, but non-oil growth remains robust
  - Important to contain hard to reverse spending to increase resilience to oil price declines

- **Oil importers:**
  - Only a moderate recovery is underway; buffers are running low in some countries
  - Focus on maintaining macroeconomic stability: better targeted subsidies will support fiscal consolidation; protect reserves
  - Deliver quick wins on structural reforms for higher and inclusive growth